

LETTERS FROM READERS

"The Facts About 'Capitalist Inequality' "

TO THE EDITOR OF COMMENTARY:

William D. Grampp's article in the June COMMENTARY ("The Facts About 'Capitalist Inequality'"), which attempts to prove false the view that under capitalism the rich get richer and the poor poorer, raises more questions than it answers.

Take his table on distribution of income. The poorest fifth of the population received 4 per cent of the national income in 1935 and 4 per cent in 1949. The middle fifth rose from 13.7 per cent to 17.1 per cent in the same period. The richest fifth declined from 53.4 per cent to 45 per cent. So, says Mr. Grampp, the rich are getting poorer, the poor are staying the same, and the middle groups are getting richer. But let's look at the figures again. From 1935 to 1949 national income almost doubled. Now take as a model ten men with a total income in 1935 of \$1,000,000. The two chaps at the bottom got 4 per cent of the total or \$20,000 apiece; the two top men received 53.4 per cent or \$267,000 each. Then, in 1949, total income becomes \$2,000,000. The bottom two still get their 4 per cent or \$40,000 each. The top two decline to 45 per cent. They now only get \$450,000 each. Assuming \$20,000 as an income unit, the bottom man has increased his economic power by one unit, the top man by some nine units. Since poverty is a relative social fact and not an absolute quantity, the man at the bottom has become poorer, the man at the top richer. My view may be tipping the scales too much in the other direction, but no more, I submit, than Mr. Grampp's percentage technique, which completely ignores the expanding national income and its effect on relative inequity. The progressive income tax, incidentally, is based on an analysis similar to mine.

Mr. Grampp says that income or "spending power" is the best yardstick of economic power. In one year during the 30's, J. P. Morgan paid no income tax, his losses balancing his gains. During the same year, neither did I. Using Mr. Grampp's yardstick, Morgan's economic power and mine were equal for that period. The point, obviously, is that ownership and control of capi-

tal is a far better index of economic power than is income.

In fact, income and "spending power" are not even equivalent, as Mr. Grampp seems to assume they are. Consider a government official. On a limited personal income, his "spending power" may be enormous. Or extend Mr. Grampp's analysis to Soviet Russia. Inequality of Soviet income, as he points out, is probably greater than in the United States. But theoretically at least, the possibility of an almost absolute equality of income exists there, yet its realization would not in the least affect the distribution of social, economic, and political power. The Communist bureaucracy would still run the works, their economic power would still be absolute, while their aggregate personal income might be negligible.

MR. GRAMPP scoffs at the socialist notion that the middle class is declining in economic importance. Yet he cites figures showing that the 100 largest manufacturing corporations before World War II produced 33 per cent of all manufactured output and employed 20 per cent of all workers engaged in manufacturing. I would bet that the 100 largest corporations of 1900 turned out a much smaller proportion of the national output and employed a far smaller percentage of the national working force. I would also offer odds that the same trend toward consolidation and domination of the market by large companies is observable, too, in the retail and distributing sections of American industry. And if these hypotheses are correct, don't they show that the middle class—i.e. small manufacturers, shopkeepers, and tradesmen—is declining in relative economic importance?

Mr. Grampp is doubtful as to the benefits of a more equitable distribution of economic power. We will still have trouble, he thinks. He says, "There is no anthropological or sociological evidence to show that among communities where economic power is distributed evenly there necessarily is no antagonism, rivalry, or conflict." The only anthropological evidence I know of along these lines comes from a study of primitive communities where economic equality is an equality of scarcity. Socialist equality assumes an equality of abundance, where the basic material needs of the whole population

are satisfied. Under those conditions, the socialist hope is that man, freed from the miserable task of struggling for bread, may be able to concentrate his energies on developing his spiritual and moral nature and improving his social relations, the two prerequisites for a real improvement in the human condition.

I say "hope" advisedly, because history has precious little to say about it, either pro or con. But my hunch is as good as Mr. Grampp's and neither of us has a right to beat the other over the head with irrelevant "anthropological or sociological evidence." In any case, the doctor who refused to treat me for pneumonia, on the grounds that I might well die of cancer later on, is certainly suspect.

MORTON CLURMAN

New York City

TO THE EDITOR OF COMMENTARY:

William D. Grampp's article on capitalist inequality (June 1951) is one of the most inadequate discussions of this urgent problem that I have yet come across. Mr. Grampp appears to be saying that American capitalism possesses an inherent drive toward perfection which to this observer has not yet become apparent.

Those who assert that capitalism very often behaves like the elephant among the chickens concede that our economic system has some years to go. Yet they are very much aware that we now enjoy a basically unsound prosperity founded on preparation for war and, despite Mr. Grampp's disingenuous denial, they know that this has been the case for some ten years now. Witness the huge government expenditures since 1946: \$23 billions in that year; \$17 billions in 1947; \$22 in 1948; \$26 in 1949; \$27 in 1950. Most of this was for war and related purposes. At the same time national income literally reached astronomic heights. Mr. Grampp must concede that there is some relation between national income and war spending. Expenditures, whether for war or other things, are a significant key to the understanding of what Marx used to call capitalist motion. Interestingly enough, when in 1949 businessmen became frightened and restricted their investments in inventories and in new construction, the national income began to slide downward from the 1948 high of \$226 billion. The anxiety on the faces of many persons was a frightening reminder of the terror of the 30's.

Mr. Grampp asserts that income distribution is becoming less unequal and attempts to substantiate his view with material from the studies of the Federal Reserve Board. No one denies that conditions have improved in the last decade, but the inference that the poor are on their way out of the economic picture is a thorough-

going misreading of the facts. It is clear, even from the statistics Mr. Grampp offers, that the poor are still poor. If the reply is that 4 per cent of an astronomic national income yields many more dollars, it is only necessary to recall that prices have also risen astronomically and that the average dollar income of the poorest one-fifth of American families is still low. The poorest group, for example, had an average annual income in 1935-36 of \$331; in 1941 this was \$445; by 1944 this had gone up to \$850. In that year the three poorest groups, or 60 per cent of the families, had an average income of \$3,123 or less. The point should be clear: a percentage analysis, while useful, fails to tell the whole story. The average income per family in dollar amounts reveals a more impressive tale.

A different view of the problem—which is indeed a many-faceted one—is offered in the data below, from Census Bureau studies:

Income of Families and Individuals

	Per Cent Distribution	
	1948	1949
Under \$1000	16.2	22.9
1000-2000	15.8	16.2
2000-3000	19.8	17.7
3000-4000	18.8	17.0
4000-6000	18.5	16.6
6000-10,000	8.5	7.3
Over 10,000	2.5	2.4

These statistics demonstrate quite clearly that income in the United States is distributed in pretty lopsided fashion. More than half the families and individuals reported in these surveys received income of less than \$3,000 per annum. What is even more striking is the decided shift toward the three lowest income groups in 1949, their proportion rising from 52 per cent to 57 per cent. There had been a small dip in national income in that year, and almost at once the disproportion in income distribution was accentuated. Here, indeed, is a crucial and basic problem in economic dynamics, one that suggests that the burden of declining national income falls on those least able to bear it. Mr. Grampp ignores this fundamental question.

He disdains, also, to talk about the share of the national income that goes to the richest 2 or 3 per cent of the spending units. Statements about them, he says, are hypothetical. First, as a matter of elementary common sense, it is quite clear that the spending power of this group is phenomenally great; second, the original statistical analysis revealed by inference a very marked concentration toward the upper end of the class. This showed that a very small

number of persons received a very large share of the very large income found within the richest 20 per cent of Americans.

THE comments on capital gains are, if not irrelevant to the immediate problem, obscure, to say the least. Mr. Grampp says that some poorer groups have capital assets, but he does not say that a substantial part is frozen in homes, furniture, second-hand autos, etc. What is more significant is the proportion of liquid assets that these groups possess. The FRB studies show that only 3 per cent of the families receiving less than \$1,000 per year in 1948 owned liquid assets, while of those families in the \$7,500-and-over class 37 per cent owned such assets. It is interesting to note that 19 per cent of the families with an income of \$1,000 or less in that year required financial help (economists call this "dissaving") to keep themselves going. While Mr. Grampp insists that relatively large amounts of capital are owned by some low-income persons, he nevertheless concedes later on that the "facts about the distribution of capital are meager and inconclusive." Under these circumstances, considerable qualification must be made of the somewhat glib generalizations he offers. . . .

If Mr. Grampp wanted to discuss the economic importance of the middle class, his analysis of the income it receives, while part of the story, does not give a complete picture. Economic importance is tied up with instrumentalities of control, rather than with income received. One need but examine the experience of Stalin's Russia, where musicians and writers earn munificent sums, yet it can hardly be suggested that they exercise economic power. The problem of whether or not the American middle class exercises economic control requires the kind of functional analysis for which Lewis Corey is known or the sort of treatment that C. Wright Mills employs in his book on the white-collar worker. In the absence of an approach utilizing sociological and political ideas as well as economic data, Mr. Grampp's contention that the middle class is powerful is hyperbolic.

Mr. Grampp does not see that it is the question of control that is decisive in our economy. His contention that income is the basis of economic power (a view derived from Hayek and von Mises) is like saying that streams run uphill. Economic power in our society, as Adolph Berle and Gardiner Means long ago demonstrated, is derived from the management—not necessarily the ownership—of gargantuan aggregates of corporate assets, and the power this gives is the power to appropriate the usufruct of society. As Veblen used to say, no invidious connotation is intended here; this is a statement

of fact, verifiable in mountains of economic studies and government documents. When 60 to 65 per cent of the total volume of business passes through corporate channels, when there are more than 35 companies whose assets are well over the billion-dollar mark, when the top 100 manufacturing companies employ more than one-fifth of the workers in manufacturing, then it is obvious that the control of these enterprises is what is crucial. The weakness in Grampp's position is that he offers conclusions about *total* wealth based on observations of *individual* wealth, while deprecating the determinative role of corporate wealth.

NOR is it entirely a matter of conjecture that some part of our industrial capital is "owned, dominated, controlled, or manipulated" by certain leading families. While there are some companies, such as AT&T, General Electric, US Steel, Paramount, and RCA, that because of the widespread holdings of their stock exhibit no discernible ownership control (they are consequently more easily controlled by self-perpetuating boards of directors), there are not a few important firms that are owned and dominated by family interests. The Ford Motor Company and the A&P grocery chain are classic examples. The Mellon family holds a major interest in Koppers Coal and Coke and in Gulf Oil; the Pew family in Sun Oil; the Kresses in a large five-and-ten-cent store chain. There are other families with strong minority holdings: the Du Ponts in General Motors, the Mellons in Alcoa, the Cudahys, the Rockefellers, the McCormicks, the Colgates, the Gimbels, and the Rosenwalds. This does not imply that family control is always exercised. For example, the Du Ponts made their influence felt in General Motors much more in the 20's than today, but it is there nevertheless. It is this feature of our economic life that exerts a subtle and in many ways potent influence on the distribution of our national income.

Perhaps the most shocking example of uncritical thinking in Mr. Grampp's article is his treatment of wages and salaries. It is true, as he says, that these represent the major part of national income. Yet it has not occurred to him to connect a distribution analysis of wages and salaries with a consideration of what proportion of them derives from the control of our economic apparatus. To suggest that the salaries of IBM's Thomas Watson and US Steel's Benjamin Fairless, and of the many others who exercise major managerial controls in our society, are of like character and express the same economic relationship as the wages of the salesman and the steel-puddler is legalistic obfuscation. And since Mr. Grampp drags in by the

heels the question of nationalization, it is well to point out that while nationalization may have little effect on income distribution (and that too is a dubious proposition) it does have no little impact on economic control.

The question of economic control naturally bears heavily on the problem of monopoly. Much evidence has been gathered over the past seventy-five years to expose the pervading influence of restrictive practices. Yet Mr. Grampp blithely dismisses the facts thus revealed. The degree of monopoly in various industries was reported on with much detail by the TNEC investigation, most of which Mr. Grampp chooses to ignore. Of the 1,800 products, he says quoting the TNEC, which represented about half the number of items and about half the value in manufacturing in 1937, there were about 300 in which one producer had a 50 to 75 per cent monopoly. This, he says, means that these 300 products represented 17 per cent of the total amount of goods produced in manufacturing, and therefore 17 cents out of every dollar's value of manufactured goods was produced under monopoly. This I submit is an arithmetical howler, for there is no warrant in the passage cited—nor in subsequent passages in the original—for the latter result. Nothing was said by the TNEC of the *proportion of the total value of all 1,800 products* to be attributed to the 300 items; it is conceivable as a matter of argument that their share might have been 50 per cent of the value of the 1,800 products. If this were so, then monopoly would be the basis of from 25 to 50 per cent of the value of the goods.

Collusion need not be the basis for monopolistic practices, as Mr. Grampp intimates, for firms in industries where competition is "imperfect" must, because of heavy fixed investment, large costs, and a less than completely responsive consumer demand, guide themselves by what they expect their competitors to do about prices. Price competition can hurt both the big and the little fellow—witness the recent department store war. Thus monopoly and its variants become the rule. Whatever competition exists is found mainly in the realm of advertising, packaging, location, and other forms of consumer coercion. As Kaiser-Frazer can ruefully testify, the law of trade becomes: "Don't spoil the market and keep out the newcomers."

MR. GRAMPP'S strictures on the kind of monopolies he considers to be especially iniquitous seem to have a dual purpose. On the one hand, they are exploited to attack labor union monopolies (without regard to the historical fact that labor unions were a response, and a necessary one at that, to the monopolistic strength of the

employer); and on the other, they serve as a kind of binder to equate valid criticism of capitalism with praise of the totalitarian economy of Stalin's Russia. In both instances, Mr. Grampp pleads in a rather labyrinthine way for a return to the free market of Adam Smith. I submit that if anything is unreal, it is this inference that the complex economic structures of the modern world can sensibly be reduced to a conglomeration of atomistic units so that the simpler ways of the 18th century might be restored. The "liberal" critic is hardly being unreal when he advocates some democratic rearrangement of economic relationships, for he knows that while capitalism today is prosperous it will sooner or later, for reasons inherent to it, have to face up to the problem of contraction.

Mr. Grampp evidently does not think it possible or desirable for the economist to search for the underlying drives and motivations that make our economy what it is. He suggests that our world, not only the best of all possible worlds, must be like Monte Carlo with the economist in the role of *croupier* announcing the turn of the wheel. Most of us have to reject that attitude, not necessarily on ethical, but on urgent philosophic and sociological grounds.

BEN B. SELIGMAN

New York City

Mr. Grampp Replies

TO THE EDITOR OF COMMENTARY:

If I understand them, Messrs. Clurman and Seligman have three objections to the enterprise economy and they score my failure to give them proper consideration:

1. Business is extensively monopolized, and monopoly means concentration of economic power.
2. It is absolute rather than relative income that is relevant to the matter of equality, and the absolute income of the poor is inadequate.
3. The structure of the economy is faulty: it thrives on scarcity (Mr. Clurman); it is subject to contraction (Mr. Seligman).

Now, the real test of monopoly is not mere bigness but the extent of collusion among firms, and the amount of monopoly is measured by the proportion of national income produced by collusive industries. In order to determine the significance of monopoly it is therefore necessary: (1) to discover the presence of collusion, and (2) to measure the output of collusive industries in relation to total output.

Mr. Seligman's information on family holdings is suggestive of collusion, but not probative. Such facts were collected about fifteen years ago by the National Resources Committee and left

their impression on many. What failed to leave the proper impression was the Committee's great reluctance to diagnose collusion from these facts alone. Yet even if collusion had been shown, in itself it would not have measured the extent of monopoly. No effort was made to measure the proportionate output of monopolistic industries, and this, one must insist, is a critical issue. To say that a billion or α -billions worth of products are produced under monopoly is meaningless until one knows the comparable total production of the economy.

It is also of little importance that there are a certain number of companies whose capital exceeds a billion dollars. What is important is whether these firms act competitively or monopolistically and what their share of the total output is. The proportion of the labor force employed by large firms is more to the point, and the data show no conclusive evidence of monopoly (See G. J. Stigler, *Five Lectures on Economic Problems*, p. 50). The proportion of total business income received by corporations is of course irrelevant, because corporations are not necessarily monopolies.

The facts about monopoly have become more adequate since my article was written, in a study by G. Warren Nutter, *The Extent of Enterprise Monopoly in the United States, 1899-1939* (University of Chicago Press). Mr. Nutter states that the proportion of national income produced in 1937 under conditions of monopoly was about 15 per cent; that produced under conditions of workable competition, 60 per cent; while the remainder is attributable to government. The corresponding percentages for 1899 are 17, 76, and 7.

These figures, as Mr. Nutter explains, are subject to qualification, and they err, it seems to me, in the direction of overstating the amount of monopoly. Mr. Nutter defines a monopoly as an industry in which the four largest firms produce 50 per cent or more of that industry's output. This measure of concentration is not evidence of monopoly (i.e. collusion) but rather of the absence of competition. The distinction is important for the kinds of questions raised by Messrs. Clurman and Seligman, who seem to believe that the economy is directed by a relatively few corporations. It is not in fact; one unqualified conclusion emerges from Mr. Nutter's study, namely that there is no evidence to show that monopoly is the prevalent form of private enterprise. Nor is there evidence to show that it was more common in 1937 than fifty years ago.

There are other than enterprise monopolies, and they offer the more important problem. While competitive output declined from 76 to 60 per cent of the national product between

1899 and 1937, the government's output increased from 7 to 25 per cent. Governmentally sponsored cartels have increased, and monopoly in the labor market is extensive. These facts may not go well with an enthusiasm for a political direction of the economy, but they may as well be recognized.

There are reasons for the common exaggerated notion of the extent of monopoly among private enterprises. One is that revelations of collusive practice are much more sensational (and much more in harmony with predispositions) than information about the extent of competition. Accusations of monopoly are facile rhetoric for crusaders and vote-gatherers. The government frequently interests itself in the matter, because monopoly has always been considered a problem in America, while competition has always been something to be praised in public—and, if possible, to be stifled in private. The presumed "mountains of evidence" of "the pervading influence" of monopoly actually prove very little. Most of it is of no value whatever in answering the critical questions of the extent of collusion and its relative importance. Upon inspection, the evidence reduces to two or three studies, only one of which Mr. Nutter found to be helpful (*Competition and Monopoly in the American Economy* by Clair Wilcox). Those who are certain that private monopoly is extensive must either have private evidence not available to economists or have reached their conclusion by avoiding the critical questions.

(The Temporary National Economic Committee's statement on monopoly is ambiguous, and my interpretation of it may very well be mistaken, as Mr. Seligman contends. The phrase, "291 [products], or more than one-sixth of the sample," may refer to the total *value* of all manufactured products monopolized, or it may be an error of some sort. It cannot refer to the number of products, which was 1,807, as "more than one-sixth" of 1,807 is surely not comprised by 291. I should be reluctant to dismiss my reading of the phrase were it not, however, that Mr. Nutter's calculations are more complete; according to them, 39 per cent of the value of all manufactured goods were produced in 1937 by industries in which four firms produced 50 per cent or more of the output. The TNEC statement refers to industries dominated by one—not four firms.)

AS TROUBLESOME as the arithmetic of monopoly seems to be, it is less trying than the arithmetic of income distribution. Both correspondents say that it is misleading to measure inequality by the percentage of total income received by each fifth of all consuming units. I am afraid this is the only simple way in which

it can be measured. Inequality is a relative magnitude that, by definition, is measurable only as a percentage. In Mr. Clurman's example, the rich men increased their income by 69 per cent while the poor increased theirs by 100. Now the absolute difference in incomes is great (whether or not allowance is made for price changes), and the lowest income is only a small fraction of the highest. These are the facts, I suspect, that the correspondents wish to emphasize. It cannot be denied that there are rich and poor in the economy, as there always will be as long as income is not distributed equally. My point is that the disparity is less than it once was, and that it has been diminishing for as many years as we have income figures for.

Additional data on the point have become available since my article was written, in a study by Simon Kuznets, *Shares of Upper Income Groups in Income and Savings* (Occasional Paper 35, National Bureau of Economic Research). A noteworthy feature of this study is its information on the share of total income received by the richest one per cent (approximately one and a half million people) of the population. In 1919, it was 14 per cent; in 1929, 17 per cent; in 1939, 13 per cent; in 1945, 10 per cent. The share received by the lower 95 per cent in these same years was 74, 68, 72, and 80 per cent. The minimum family income of the richest one per cent was, in 1919, \$12,000; in 1929, \$16,000; in 1939, \$12,000; in 1945, \$20,000. No figures are given for the minimum income of the poorest. Average family income (for the entire population) in the same years was \$2,500, \$2,700, \$2,100, and \$4,600. Among the richest one per cent, 52 per cent of income came from wages, salaries, and entrepreneurial earnings, and 48 per cent from dividends, interest, and rent.

Another contribution of Mr. Kuznets' study is an estimate of the distribution of income-yielding property, or that part of the national capital yielding a money income. The 5 per cent of the population (comprising approximately 7,500,000 people) receiving the highest income owns about half of all individually owned capital yielding a money income; it owns more than 75 per cent of all stock, 40 per cent of all bonds, and about 40 per cent of all rental property. "Hence [Mr. Kuznets writes] the inequality in the ownership of income-yielding capital is much greater than the inequality in the distribution of current income." He estimates the arithmetical effects on the distribution of income which would come either from confiscating all money income from capital or from redistributing it equally: the relative share of total income going to the lower 95 per cent

would be increased from 75 to 81 per cent as a result of confiscation, and to 83 per cent by an equal distribution, while the share of the richest one per cent would be reduced from 13 to 8 per cent by confiscation, and to 7 per cent by an equal distribution. (The figures are for 1919 to 1938.)

From the facts of monopoly and of the distribution of income and capital, I read the plain implication that economic power is not concentrated in the hands of a few private enterprises or families. There being no evidence of extensive collusion among private enterprise, there is no evidence of concentrated control over assets. Since the distribution of income-yielding capital is quite different from the distribution of total income, there is no evidence that a few families by their wealth can determine what goods shall be produced and who shall receive them. Actually, the meaning of "economic power" is quite complex, and I am unable, by the most sympathetic inferences, to find any recognition of this in either Mr. Seligman's or Mr. Clurman's letter.

Mr. Kuznets' study also considers the effect of the business cycle on income distribution, a point raised by Mr. Seligman. Although the share going to the lower 95 per cent usually shrinks in a depression, that going to the richest one per cent does not always increase. Federal Reserve Board studies show that in the recession of 1949, the relative position of the poor remained constant, that of the richest declined, while the relative position of the middle-income groups improved. Hence, we should go astray were we to take seriously Mr. Seligman's figures on the increase in 1949 of the percentage of consuming units receiving \$3,000 or less.

WHATEVER the significance of absolute money income as a measure of *welfare*, it has no significance as a measure of *inequality*. Those who wish to offer the money—or real—income of the poor as proof that the enterprise economy is wanting, have two things to do. One is to establish a criterion of adequate money income. The criterion would be wholly arbitrary, because individual needs cannot be measured objectively, and because they are continually changing. Serious efforts to erect such a standard have resulted in the past in a "subsistence" or "decency" budget which reflects no more than convention, and that in an uncertain way. The second thing to do must be to show that an alternative to the enterprise economy can provide a higher real income and more equitable distribution. This, admittedly, is a large requirement. A beginning might be made by inquiring whether state-administered economies have ever obtained the same rate of in-

crease in productivity as enterprise economies have.

The increase in America over the past ten years—2½ per cent annually—seems not to have impressed Mr. Clurman, who describes ours as an "economy of scarcity." This is wholly true, not only of American capitalism, but, unfortunately, of every other economic system yet known. Every nation is faced with scarcity because the labor and capital available for production are much less than that needed to produce all the things we want. An "economy of abundance," if the term is considered meaningfully, is one in which at a zero price the supply of goods exceeds their demand—that is, everything is free. Until this ideal situation comes into being, we shall have to make the best of scarcity by an economical use of our resources. We shall do well to recognize that some labor, and capital, is less productive than other and in consequence will earn less than the average.

The lowest income class in the economy, which in 1948 received \$2,000 or less, consists of six major groups according to information gathered by the Reserve Board and the Census Bureau. They are: Negroes, the aged, the disabled, persons physically and mentally of low productivity, certain farming groups, and individuals from broken families. No single cause accounts for their distress. Discrimination, neglect, indifference, inefficiency, immobility, exploitation, personal troubles, lack of opportunity or training or education, and sheer bad luck—all are operative factors. Some of the poor are so only temporarily; the composition of each income class is constantly changing. Others among the poor remain poor, and it is they who present the real problem of poverty and injustice that the enterprise economy (or any other kind) must face. I do not see that we are nearer to a solution by presuming that poverty is the result of the iniquity of the rich.

Mr. Seligman appears to believe that the American economy cannot maintain its present growth and eventually must go into decline. If he means that a depression is inevitable, he must have great faith in the mechanical perfection of his economic theory. Few others are as confident of their doctrine. If he means that the economy is permanently *threatened* by underemployment, he is in a less dubious area. Whether this danger comes from the very structure of the economy or only from perversions of it depends on how one estimates its reality and magnitude. It may be observed that discussion of this point among economists has given place in recent years to a greater attention to its opposite—chronic inflation instead of deflation. It is also recognized that it is possible to have both inflation *and* unemployment. The prob-

ability of unemployment of this kind depends on the extent of monopoly, particularly among labor unions. The effect of inflation depends, in part, on the distribution of income. Both aspects of the problem will be more clearly understood by a responsible treatment of the facts.

WILLIAM D. GRAMPP

Chicago, Illinois

The Jerusalem Bagel

TO THE EDITOR OF COMMENTARY:

I offer a brief footnote to Irving Pfefferblit's article on the bagel in the May COMMENTARY.

Having just finished a third Jerusalem bagel, I believe it is possible to state: *If you haven't eaten this bagel, you haven't eaten bagels.* What you have eaten are wooden doughnuts, brown rubber teething rings, quoits, but you haven't eaten bagels. . . .

There are now two types of *petit pain* in my world: the Paris *croissant* and the Jerusalem bagel. However, there is no comparison to be drawn, for the New York *croissant* is perhaps half as good as its Gallic counterpart, but to compare the two types of bagel is ridiculous.

The New York bagel is heavy, like a heavy heart; it is tough, like a policeman. It is shiny like a plastic toy or something wrapped in cellophane. Like all bad bread, it is preferred split, toasted, and buttered. It is improved, so the experts tell me, if heavily spread with cream cheese and then covered with lox.

The Jerusalem bagel—but wait, I must get one. . . . H'm, *tov*. First, then, it hasn't a streamlined look, it is more primitively shaped. Circular, of course, but only roughly circular as if made by a craftsman, not by a man turned into a machine. Second, it probably has about the same amount of raw material as the New Yorker but its outer diameter is larger (average 3 3/4 inches), and the hole ordinarily measures about 1 7/8 inches. Compare this to the closer-knit New York type and you will understand that the larger size gives an airiness, an openness, a different *allure* entirely. Third, the skin has the polished gleam of a cobblestone on an old street in its native city; only the high lights gleam, the hollows are dull, for this crust has texture. Its color is not far different from its brother but lighter, more mottled, suggestive of the eroded hills.

But the test of a bagel is not in the looking. This bagel can be broken without a struggle, it gives itself to the eater—it is crusty but not crumbly, it is chewy but not gummy—it is dry but not thirst-provoking. It satisfies the soul.

PERCIVAL GOODMAN

Jerusalem, Israel